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UNCLAS SECTION 01 OF 03 DJIBOUTI 000856

SIPDIS

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SUBJECT: DORALEH PORT: DJIBOUTI'S ECONOMIC GATEWAY FORGES AHEAD

REF: A. DJIBOUTI 822

[B](#). DJIBOUTI 711

[C](#). DJIBOUTI 597

[1](#). (U) Summary: With the help of Emirates National Oil Company (ENOC), Djibouti is moving ahead with its major port construction project at Doraleh. Increasingly seen as the future economic lifeline for Djibouti, the port's site manager, an Indian national of Dubai residency, admits that he is under pressure to complete the port two months ahead of schedule. Shifts working day and night are expected to bring the project to fruition by November, 2004 vice January, 2005. A primary segment of the port is an oil storage terminal facility that includes what ENOC describes as four storage tanks for the U.S. Navy. In addition, the port is expected to have the capability to dock and service the largest of military vessels. The port project has its own primarily imported labor force, and includes a housing camp with sleeping quarters, recreation facilities and meal delivery systems to make it self-sustaining. Dubai has taken the lead in development of the project, with the support of key Djiboutian businessman Abdurahman Boreh and President Ismail Omar Guelleh. As a result, the port has created high expectations for the economic development of Djibouti. Yet precise percentages of share ownership in the project remain vague, with even Ethiopia expected to take a small share. While the port project still has its skeptics, only stability in the region would appear to be the more difficult and unpredictable hurdle for Doraleh. End Summary.

[2](#). (U) President Guelleh's self-proclaimed economic gateway to Djibouti's prosperity -- its mega oil and container port at Doraleh -- is forging ahead at a pace of construction intended to bring the project to fruition two months ahead of schedule. Ambassador, Pol/Econ, and Econ assistant made their second visit in two months to the port site, located seven kilometers from the existing port, to assess progress and to meet with the project manager. Touted as a complement to the United Arab Emirates port of Dubai, the new port of Doraleh is expected to open Djibouti to markets in the Horn of Africa and beyond.

[3](#). (U) Our hosts for a tour and briefing were K.K. Menon, of Emirates National Oil Company (ENOC), Site Manager for the Doraleh project, and Ayanleh Idriss Hassan, Terminal Manager for Horizon Ltd., an ENOC subsidiary. Horizon, which will operate Doraleh's oil terminal, focuses primarily on the Singaporean and African markets for ENOC. ENOC established Horizon, according to Idriss, in order to consolidate and independently develop ENOC's oil and chemicals terminalling business globally.

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Ties that Bind  
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[4](#). (U) The port of Doraleh is the brain-child of Abdurahman Boreh, a prominent and self-assured Djiboutian businessman, who successfully convinced President Guelleh of the merits of taking advantage of the single income outlet available to resource-poor Djibouti -- that of services. He began by establishing a partnership with Dubai investors and by encouraging the President to bring in Dubai Ports International to manage its existing port and international airport. Dubai Ports International is investing USD 300 million to develop the container terminal in Doraleh while ENOC is financing the port's oil terminal at a cost of USD 130 million. The port will include an oil terminal, whose construction began in June 2003, oil storage facilities, an oil refinery, a container port, a Free Zone and an industrial area with power station and desalinization plant. Partners in the Doraleh project will also construct, at their own expense, a new road from Doraleh port to the national road linking Djibouti to Ethiopia. The Doraleh port, to be completed by January 2005 and to be made operational by May, 2005, is not expected to replace or adversely affect Dubai port activities, according to Menon. It's primary focus will be Africa.

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Status report  
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15. (U) Menon told us that the port's "clients" have applied pressure on ENOC to complete construction of the port ahead of schedule. He is now on target to complete the project in November 2004, vice January 2005. To remain on track, Menon is preparing to put in place a lighting arrangement at the port site that will allow night construction. He also stated that "the U.S. Navy" is pushing for quick completion of the project in order to activate the four oil storage tanks set aside for the Navy's use. According to Menon, of the U.S. Navy's four storage tanks at Doraleh, two have dimensions 20 meters high x 47 meters deep and two have dimensions 20 meters high x 37 meters deep. All tanks will be equipped with a special membrane to prevent oil leakage and pollution of the soil beneath the storage tanks. A total of nine storage tanks are currently under construction and we were shown the extent of progress on tanks reserved for the U.S. Navy. (Note: Embassy is still trying to confirm a U.S. Navy contractual engagement for Doraleh with ENOC. End note) Oil companies currently operating in Djibouti, such as Exxon Mobil, Menon said, would be free to lease remaining tanks in the pool from Horizon. (Note: Mobil, Total and Shell have been informed of the Government of Djibouti's intent to close the companies' existing storage tanks at the current port as soon as the new Doraleh facility is on line. See Ref B. End note) When completed, the Doraleh oil terminal will have the capability to store 240,000 cubic meters of clean petroleum products, including gasoline, diesel, jet fuel and kerosene, as well as fuel oil, chemicals, edible oil and liquefied petroleum gas.

16. (U) Ambassador asked about the potential of the port to allow docking at port side of large U.S. military vessels. Menon responded that the Doraleh port would have a depth of 28-30 meters and that the extent of the causeway into the sea would allow these vessels to acquire maximum security cordons to meet U.S. military standards and requirements.

17. (U) On challenges encountered in the quest to speed up the project, Menon said he had had some difficulties with the causeway that will service the oil terminal because of a delay in delivery of necessary materials, due to the vacation season in Europe. ENOC also faced problems with a local company contracted to crush stones for the project. The company stopped its services temporarily in a dispute with Menon and ENOC over payment of "royalties" the company said it was obliged to make. Menon said ENOC refused to pay the royalties and contacted President Guelleh directly in the matter. The matter was quickly resolved with no royalties being charged and services resumed.

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Manpower Resources  
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18. (U) According to Menon, 322 local staff and 68 expatriates are currently working at the Doraleh site. The number of expatriates is expected to reach as high as 340 in the short term because of ENOC's inability to recruit Djiboutians with the necessary skill sets to perform some of the highly-skilled jobs that the port requires, such as welding. Djiboutians employed are working primarily as laborers, drivers and security guards. Menon blamed the cultural habit of chewing "khat" for the paucity of qualified workers. He also spoke about a work ethic that discouraged Djiboutians from accepting jobs that required more than three hours of physical activity daily. (Note: At the site, shifts begin at 0830 and end at 1830, with a two-hour lunch break. Use of "khat" is strictly forbidden during work hours. End note.) When questioned about the recent Afar demonstrations over hiring for Doraleh and the new Free Zone, (reftel A) Menon seemed unaware of the demonstrations and responded that tribal issues, in any case, were not within ENOC's purview. (Note: There are indications Boreh has assumed the role of de facto labor broker in local hiring for the Doraleh work to avoid such conflict. End note).

19. (U) Construction of housing for expatriate workers -- of Malaysian, Indian, Filipino and other origins -- at the project site is nearly complete. It consists of self-contained modular living quarters with private bathrooms. The compound has its own source of electricity, chillers for cooling, and a huge and modern kitchen. Currently, expatriate workers are housed half in a hotel in town and half at the completed portion of the camp. All will continue to receive their meals at a local hotel, with specialized foods geared to nationality, until the kitchen at the Doraleh camp is complete. There are no housing provisions for Djiboutian workers.

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Sorting Out Partnerships  
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10. (U) On our questions regarding the role and percentage of holdings in the port by investors, and specifically by

Abdurahman Boreh, Menon declined to comment. (Note: Boreh told Ambassador he owned 40 per cent of the Doraleh project, with ENOC owning the remaining 60 percent. Some place Boreh's holdings at 20 percent, with the rest of the 40 per cent share divided equally between the Government of Djibouti and President Ismail Omar Guelleh. In addition, at the May 18-20 meeting in Djibouti of the Ethiopia-Djibouti Economic and Commercial Ministerial Working Group, Ethiopia requested land at Doraleh to invest in and build a petroleum depot to accept petroleum products in transit to Ethiopia. The Djiboutian side explained to the Ethiopians that, for security reasons, it preferred to place petroleum activities at Doraleh in the hands of ENOC. After much discussion of this issue, Djibouti rescinded and agreed to include Ethiopia in the project because of the two countries' "strategic partnership." It is unclear if Ethiopia will follow through on its request and also unclear as to which partner would provide the percentage to Ethiopia. End note).

11. (U) Menon told us that when studies were made a few years ago about the feasibility of the Doraleh project, "even President Guelleh did not believe it could materialize." ENOC believed in it from the beginning, he said proudly. The location is good as it is close to the sea with minimum need to reclaim land to build the port's infrastructure, he added.

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More Investments Planned  
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12. (U) Menon commented that ENOC also planned to build a new hotel "of high standing" near the beach of Doraleh. It will complement, he explained, the Haramous housing development project recently contracted by the Government of Djibouti to a Saudi investor.

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Comment  
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13. (U) Comment: Post understands that the U.S. Trade and Development Agency (TDA) will likely fund U.S. company Han-Padron's feasibility study and full market forecast for all aspects of the Doraleh project and for a Master Plan for all port sectors of Djibouti. (Ref C) Post believes this is a project worthy of investment. While the port project still has its skeptics, Embassy fully expects it to be successful and is confident the port can open new and broad commercial opportunities for U.S. business. With Dubai taking a pervasive lead role financially in the future of Djibouti, and with a government increasingly affirming its commitment to necessary internal social and economic reforms, only stability in the region would appear to be the more difficult and unpredictable hurdle for Doraleh. End comment.  
RAGSDALE